

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-09 IO-13 ISO-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15  
STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00  
OMB-01 /118 W

-----131813Z 032188 /46

R 131715Z JAN 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4681

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY TOKYO

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E.O. 11652 N/A

TAGS: ETRD, EEC, GW

SUBJECT: FRG REVIEW OF TRADE POLICY ISSUES

1. SUMMARY. FRG VIEWS ON CURRENT TRADE POLICY ISSUES  
WERE EXPRESSED IN A JANUARY 5 PRESS ARTICLE WHICH  
COVERS TRADE PLEDGE, MTN, MFA, GSP AND DANGERS OF  
PROTECTIONISM. PROTECTIONIST THREATS HIGHLIGHTED  
AS POSING GREATEST DANGER FACING WORLD TRADING SYSTEM.  
USG AND EC COMMISSION URGED TO WORK OUT QUICKLY A  
PACKAGE SOLUTION FOR MTN, TARIFFS BEING THE MOST  
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IMPORTANT ISSUE. FRG WILL USE ITS INFLUENCE TO SPEED  
UP PROGRESS IN MTN. DESPITE THEIR DIFFERENCES OF VIEW,  
COUNTRIES NEGOTIATING RENEWAL OF MFA HAVE COMMON  
INTEREST IN MAINTAINING THIS ORGANIZATIONAL FRAMEWORK.  
GSP SHOULD NOT BE REGARDED AS OFFERING PERMANENT  
SOLUTION, BUT RATHER AS A TEMPORARY AID IN  
STIMULATING LDC EXPORTS. END SUMMARY

2. JANUARY 5 ISSUE OF GERMAN TRADE JOURNAL NACHRICHTEN  
FUEER AUSSSENHANDEL CARRIED ARTICLE BY JUERGEN KUEHN  
REVIEWING THE MAJOR TRADE POLICY ISSUES FACING THE  
FRG. KUEHN DIRECTS OFFICE FOR TRADE POLICY IN  
ECONOMICS MINISTRY, AND HIS ARTICLE SHOULD BE REGARDED  
AS A DEFINITIVE STATEMENT OF GERMAN POLICY. AFTER  
FIRST REVIEWING GERMAN TRADE PERFORMANCE IN 1976,  
KUEHN POINTS TO THE THREATS OF PROTECTIONISM FACING  
GLOBAL TRADING SYSTEM AND ARGUES THAT UTMOST PRIORITY  
SHOULD BE GIVEN TO PREVENTING ANY BACKSLIDE INTO  
PROTECTIONISM. IN THIS CONNECTION HE ADVOCATES  
RENEWAL OF THE OECD TRADE PLEDGE.

3. KUEHN OBSERVES THAT THE MULTILATERAL TRADE  
NEGOTIATIONS (MTN) ARE NOW ENTERING A DECISIVE PHASE,  
AND INDICATES THAT UNSETTLED PROBLEMS HAVE REAC  
REACHED THE POINT AT WHICH THEY REQUIRE POLITICAL  
DECISIONS. THEREFORE, THE FIRST TASK FACING THE NEW  
US ADMINISTRATION AND THE EC COMMISSION IS TO WORK OUT  
A PACKAGE SOLUTION. TARIFFS ARE THE MOST IMPORTANT  
ISSUE. IN THE TARIFF NEGOTIATIONS THE EC HAS  
SUCCEEDED IN OBTAINING WORLD-WIDE ACCEPTANCE OF THE  
PRINCIPLE OF HARMONIZATION. AFTER REACHING A  
COMPROMISE ON A COMMON FORMULA, THENEGOTIATORS  
WILL NOW HAVE TO AGREE ON THE NATURE AND EXTENT OF  
EXCEPTIONS. THE FIRST TARIFF REDUCTIONS COULD COME  
INTO EFFECT IN 1978/79.

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4. INDICATING THAT AGRICULTURE REMAINS THE MOST  
CRITICAL ISSUE IN THE MTN, KUEHN REGRETS THAT TOO  
MUCH EMPHASIS HAS BEEN PLACED ON PROCEDURE. HE  
RATHER VAGUELY SUGGESTS GLOBAL SOLUTIONS FOR THE

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MOST IMPORTANT TRADED COMMODITIES (GRAIN, MEATS, DAIRY PRODUCTS), COUPLED WITH PRAGMATIC PROGRESS ON OTHER PRODUCTS. KUEHN TAKES A RELATIVELY OPEN STANCE ON SECTOR NEGOTIATIONS, INDICATING THAT THEY ARE A NEW TERRITORY FOR INTERNATIONAL TRADE POLICY AND THAT THEY OFFER OPPORTUNITIES AS WELL AS RISKS. KUEHN ALSO REVIEWS BRIEFLY THE WORK ON NON-TARIFF MEASURES, TROPICAL PRODUCTS, GATT REFORM, AND SAFEGUARDS; EXPRESSES CONFIDENCE THAT SIGNIFICANT UNCLASSIFIED

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DECISIONS CAN BE REACHED IN 1977; AND PLEDGES THAT THE FRG WILL USE ALL ITS INFLUENCE TO SPEED UP PROGRESS IN THE NEGOTIATIONS.

5. KUEHN ALSO COMMENTS ON THE ISSUES FACED IN EXTENDING THE MULTIFIBER AGREEMENT (MFA). AFTER TAKING NOTE OF US-EC DIFFERENCES, HE STATES THAT ALL NEGOTIATING PARTNERS HAVE AN INTEREST IN MAINTAINING THE ORGANIZATIONAL FRAMEWORK OF INTERNATIONAL COOPERATION IN THIS KEY AREA OF WORLD TRADE, AND IN AVOIDING A CRISIS IN THE TEXTILE MARKET. IN ANY CIRCUMSTANCES THE MOST PRESSING MATTER IS THE

IMPROVEMENT IN IMPLEMENTATION PRACTICES, ON BOTH THE EXPORT AND THE IMPORT SIDE. IN KUEHN'S VIEW, THE CHIEF PROBLEM FOR EC MEMBER STATES LIES NOT SO MUCH WITH THE MFA ITSELF, BUT WITH THE BILATERAL AGREEMENTS AND THE INTERNAL EC REGIME.

6. KUEHN STATES THAT GSP SYSTEMS CANNOT GUARANTEE TARIFF-FREE ENTRY INTO MARKETS FOR ALL TIME. THEY SHOULD RATHER BE REGARDED AS STARTING AIDS IN STIMULATING EXPORTS, AIDS WHICH ARE PHASED OUT WHEN AN LDC PRODUCT BECOMES FULLY COMPETITIVE. REFERRING TO THE UPCOMING EC-IRAN NEGOTIATIONS, KUEHN BELIEVES THESE TALKS WILL INDICATE WHAT LINKAGES EXIST BETWEEN GSP AND POSSIBILITIES FOR MODIFYING THE PRESENT TRADE POLICY FRAMEWORK.

7. EMBASSY TRANSLATION OF KUEHN'S REMARKS ON THE TRADE PLEDGE AND MTN WILL BE SENT BY AIRGRAM.

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## Message Attributes

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